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# USSR Report

ECONOMIC AFFAIRS



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## PLANNING AND PLAN IMPLEMENTATION

### RSFSR GOSPLAN CHAIRMAN EXAMINES ECONOMIC DEVELOPMENT PLAN

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 10, Oct 85 pp 3-12

[Article by N. Maslennikov, deputy chairman of RSFSR Council of Ministers, chairman of Gosplan RSFSR: "Planning Economic and Social Development of RSFSR"]

[Text] This year marks 60 years since the day of formation of Gosplan RSFSR. Looking back at the path traversed in the 60 years by planning organizations of the Russian Federation, it can clearly be seen that Soviet construction in the republic has taken place under the constant leadership of Lenin's Communist Party.

The basic principles of socialist planning as well as the forms of structure of planning organs were determined by the founder of the Soviet state V.I. Lenin.

The continuity and consistency of the Leninist course in the internal and foreign policy of the state were confirmed in decisions of the March and April (1985) plenums of the CPSU Central Committee, which gave a new and powerful impetus to speeding up social and economic development of the Soviet multinational state and clearly designated the main directions for improving management, planning and the economic mechanism. Today the party and the country face responsible tasks, many of which are quite complex and difficult. But the CPSU Central Committee is convinced that the resources and energy of our party and the people are available for their solution, and we shall manage with them.

The April (1985) Plenum of the CPSU Central Committee determined that the development of Soviet society will decisively be determined by qualitative shifts in the economy and its transition to intensification and all out raising of efficiency. At the June conference at the CPSU Central Committee on questions of acceleration of scientific and technical progress, it was emphasized that growth of the tempi of the country's social and economic development is only possible with wide-scale use in the national economy of scientific and technical progress and the implementation of a unified scientific and technical policy.



In proposals for the draft of Basic Directions of Economic and Social Development of the USSR for 1986-1990 and for the Period to the Year 2000, basically new approaches will have to be incorporated that will ensure a sharp turn to intensification. Acceleration of the country's social and economic development is only possible with wide-scale use in the national economy of achievements of scientific and technical progress and the implementation of a unified scientific and technical policy.

Thousands of scientific institutions operate, about 70 percent of the country's scientific and scientific-pedagogic personnel work and two-thirds of scientific-research and experimental-design work is carried out in the Russian Federation. In the republic, the largest regional scientific complexes in the country have been formed: the Siberian Department, the Leningrad, Ural and Far-East scientific centers of the USSR Academy of Sciences, regional departments of the USSR Academy of Medical Sciences,, the North Caucasus Scientific Center of Higher School, the cost-accounting scientific association of the RSFSR Ministry of Higher and Secondary Specialized Education and others.

Scientists of the Russian Federation make a significant contribution to the solution of scientific and technical, economic and social problems of development of the country's economy. Special attention is paid to fulfillment of targets connected with realization of the food and energy programs. Basically new technological processes and equipment have been created on the basis of basic and applied research. In four and a half years of the five-year plan, 13,000 enterprises, shops and sectors were comprehensively mechanized and automated and 28,000 mechanized flow and automatic lines were installed. For the purpose of further intensification of agriculture, scientifically based zonal systems of farming, new highly productive varieties of grain and other agricultural crops and industrial technologies of production of cropping and animal-husbandry products are being introduced.

A Scheme of Development and Location of Productive Forces of the RSFSR for the Next 15 Years and a Complex Program of Scientific and Technical Progress of the RSFSR to the Year 2005, which determines the basic development of development of the republic for the long term, have been worked out. The program includes consolidated and regional sections for 11 economic regions of the USSR located on the territory of the RSFSR as well as for Moscow, Moscow Oblast, Leningrad and Leningrad Oblast, the agroindustrial complex of the RSFSR Nonchernozem Zone and Kalinin Oblast.

The listing of the most important scientific and technical problems specified in the program is being put into effect in the nine republic scientific and technical programs formed for the 12th Five-Year Plan and the long-range period. This includes the program for protection of metals from corrosion, the use of zeolites in the national economy, the development of pipeline container pneumatic transport and others.

For the purpose of scientific validation of the rate of further acceleration of development of the productive forces of Siberia under the methodological

supervision of the Siberian Department of the USSR Academy of Sciences, the long-range Siberia Program was developed. It provides for research aimed at the solution of problems of highly effective use of mineral, land, biological and water resources, protection of the environment and development of large economic complexes (the West Siberian Petroleum and Gas Complex, the Kuybyshev Plant of Motor-Vehicle and Tractor Electrical Equipment and Carburetors, regional production complexes of the BAM zone, the Angara-Yenisey region and others). Special attention was paid to expanding research on accelerated economic development of the agroindustrial complex of Siberia for the purpose of more complete provision of Siberia's population with food products of local origin.

At the present time, questions of combined extraction and processing of minerals, transition to resource-conserving technologies and increased level of use of secondary raw materials are assuming the forefront. For the first time in world practice, wasteless processing of nepheline raw material has been developed and is being used on an industrial scale. Low-waste technologies are being introduced at a number of enterprises of the food industry, discharged heated water of electric power stations and power-biological [energobiologicheskkiye] complexes and others is being used. The interests of the national economy require that a wasteless or low-waste method of production serve as a basis of planning and design of industrial enterprises. But the development and introduction of wasteless and low-waste production technologies are being carried out slowly in a number of sectors. Thus last year the target for reduction of norms of expenditure of ferrous-metal rolled products was fulfilled by the RSFSR Ministry of the River Fleet only 36 percent and by Roskolkhozstroy Association--54 percent. The annual target for fuel economy by the RSFSR Ministry of Agriculture was fulfilled 71 percent and by the RSFSR Ministry of Motor Transport--75 percent. The target for economy of heat and power was fulfilled by the RSFSR Ministry of Local Industry--34 percent. Many ministries allowed significant overexpenditure of motor fuel.

The requirement of the April (1985) Plenum of the CPSU Central Committee on rational management and economy of material resources also fully applies to personnel of planning organs who as yet have not been displaying the necessary activity in the solution of questions connected with improvement of work on economy and thrifty expenditure of materials and power. Of major importance here are development and improvement of progressive norms and quotas.

Gosplan RSFSR has approved the Republic System of Progressive Technico-Economic Norms and Quotas for Types of Work and Expenditure of Labor, Raw and Other Materials, Fuel and Power Resources and Quotas of Use of Production Capacities. RSFSR ministries and departments at the present time are developing sectorial systems on its basis.

For the purpose of further intensification of public production, it is necessary to decisively improve integration of science and production, to strengthen all the elements binding them and to improve cooperation of academic, VUZ and sectorial science.

Gosplan RSFSR jointly with RSFSR ministries and departments has analyzed and selected the most important developments of the Siberian Department of the USSR Academy of Sciences, the RSFSR Ministry of Higher and Specialized Secondary Education and branches of the All-Union Academy of Agricultural Sciences for inclusion of appropriate targets in the State Plan of Economic and Social Development of the RSFSR for 1986-1990.

Similar work is being done with scientific centers and affiliates of the USSR Academy of Sciences located on the territory of the RSFSR.

Accelerated, wide-scale introduction of scientific achievements at enterprises of sectors of the RSFSR economy will be largely aided by creation in the republic of a network of republic engineering and technical centers on the base of large scientific-research and experimental-design organizations. At the present time a Republic Engineering and Technical Center for the Restoration and Hardening of Parts of Machines and Mechanisms has been formed under the Institute of Physics of Strength and Study of Materials of the Siberian Department of the USSR Academy of Sciences. Creation is planned of republic centers at the RSFSR Ministry of Higher and Specialized Secondary Education.

Scientific-production associations, making it possible to significantly curtail time periods of creation and introduction of new equipment and to reduce outlays on its development, are a progressive form of integration of science and production. At the same time, a total of 165 scientific-production associations are operating in industry and agriculture of the Russian Federation. Taking into consideration the scale of the republic's potential, this is quite small. For this reason, work will be continued in the republic on organizing complex scientific-production associations responsible for developing and introducing complete technological and economic systems in pertinent sectors based on the use of equipment ensuring a cardinal rise of labor productivity and reduction of power and materials intensiveness.

A most important aspect of scientific and technical progress is production quality. The importance of this problem for the development of our economy is obvious. At the same time, annual growth rates of products of the highest category of quality are insignificant. Complex systems of production quality control are being introduced slowly. Certification of manufactured products as an important means of raising their quality is being feebly used. In the republic, products being manufactured are slowly being renewed, much that is produced is obsolete. Consequently at the present time, concrete measures are being implemented for boosting product quality, requirements for certification of products and awarding of the Seal of Quality are being made more rigorous, the practice of reductions of wholesale prices for obsolete products is expanding and measures are being worked out for simplifying the procedure of coordinating documentation in delivery of new products to production.

One of the main directions of work on speeding up scientific and technical progress is wide-scale automation of technological processes on the basis of employment of automated machine tools, machines, mechanisms, robotic complexes



and computer hardware and creation of flexible automated production operations and systems of automated planning providing for a significant growth of labor productivity and reduction of manual-labor outlays. The draft of the state plan for 1986 provides for further development of basic and applied research at the Siberian Department of the USSR Academy of Sciences and the RSFSR Ministry of Higher and Secondary Specialized Education for the creation of theoretical bases of new types of equipment and technology.

In particular, work will be completed on the creation of a number of new technological processes and models of high-efficiency equipment, ensuring a rise in production efficiency and product quality and economy of labor, physical, fuel and power resources. In the field of agriculture, it is planned to continue research on improving scientifically based zonal systems of farming and the creation of high-efficiency varieties and hybrids of agricultural crops suitable for cultivation by means of industrial and intensive technology and on reclaimed lands. A significant volume of work is to be done on problems of development of health care, culture and education.

In 1986, work on raising the technical level of production and quality of produced products will be further developed. The plan provides for more than 450 targets for introduction of progressive technology and mechanization and automation of production processes. Targets have been designated for the introduction of robotized complexes for cold sheet stamping, rotor lines for extraction of oil and machines tools with numerical control. The range of ministries introducing industrial robots and manipulators at their enterprises has been expanded.

Compared to the plan of the current year, there has been a significant increase in the number of measures for economical utilization of raw and other materials and fuel, protection of metals from corrosion and use of local raw materials and production wastes.

The methods of powder metallurgy and of restoring and manufacturing items and parts with surfacing and spraying are undergoing further development. The said technology will be used in the production of more than 7 million parts.

Of special importance is training of personnel in specialties of the new directions of science and technology. Already in the 11th Five-Year Plan there was disclosed training for 6 new specialties and 10 specialties in the field of automation of production, designing and use of computer hardware and robots, flexible technology and powder metallurgy.

Under the conditions of a multiregional economy of the Russian Federation, the introduction of achievements of scientific and technical progress as applied to the concrete social and economic conditions of production and consumption of the regions is being done within the process of regional planning.

In the Russian Federation at the present time, drafts are being worked out of five-year and annual plans for each economic region, which provides the possibility of determining the tendencies of regional changes in the development of the republic's productive forces. Special attention has been paid to the Ural, West-Siberian, East-Siberian and Far-East economic regions,

Krasnoyarsk Kray, Moscow, Leningrad and Leningrad Oblast for which basic indicators of their development have begun to be shown in state plans.

In 1981, an apparatus of official representatives of Gosplan USSR for the economic regions of the Urals, Siberia and the Far East was created. Now it will be necessary, while taking into consideration the accumulated experience, to examine questions of boosting the effectiveness of work of the representatives from the point of view of increasing their practical influence on the solution of economic and social problems and to determine on this basis the most rational forms of organization of regional management and planning in all of the economic regions.

In addition to planning the integrated development of the economic regions in the republic, large-scale interregional programs are being carried out. For a second 5-year period, the complex program of bolstering the RSFSR Nonchernozem Zone is being implemented. During this period, the basic production capital of kolkhozes and sovkhoses grew twofold and that of power capacities--1.7-fold. A radical social restructuring of the countryside is being conducted. During 1976-1984, rural workers received from builders 46 million square meters of housing; children's institutions for 340,000 places, clubs and houses of culture for 305,000 places and other facilities as well as more than 60,000 kilometers of hard-surface highways were built. As a result, the volume of production and of state purchases of agricultural products was increased everywhere and put animal-husbandry underwent further development. At the same time, the rate of growth of production of the most important types of products in the zone exceeds for the 4th year average republic indicators.

Of tremendous importance to the further development of agriculture are the decisions of the October (1984) Plenum of the CPSU Central Committee on the Long-Term Program of Land Reclamation, Greater Effectiveness of Use of Land for the Purpose of Stable Growth of the Land Fund. In the Russian Federation, expansion of irrigated land is planned to 10-11 million hectares and of drained land--to 8.0-8.5 million hectares. The RSFSR Council of Ministers has worked out and approved a complex program of development of land reclamation and greater effectiveness in the use of irrigated and drained land. The adopted measures on the whole are having a positive effect on the development of agriculture and all sectors of the RSFSR agroindustrial complex. At the same time, the attained level of production out does not fully correspond to the targets of the food program. As of now, a key problem of agriculture remains unsolved--stable growth of grain production, production losses are still great on the journey from field to consumer.

The party requires of planning organs that they approach with all due responsibility fulfillment of the country's food program and working out and implementation of serious measures for the development of the processing sectors of the agroindustrial complex and bringing their enterprises closer to kolkhozes and sovkhoses.

Gosplan RSFSR and local planning organs cannot avoid a serious reorganization of the procedure of planning of the agroindustrial complex in the sectorial and regional contexts. At the same time, measures have to be provided

ensuring that the management, planning and financing of the agroindustrial complex operate as a single whole at all levels.

The developed program of economic development of the zone adjoining the Baykal-Amur Mainline can serve as an example of an integrated approach to the solution of interregional problems of social and economic development. It designates the developmental parameters of individual sectors of the economy and parts of the territory of this zone for the long-term range. The chief role of the program is planned development of the zone's productive forces on the basis of integrated utilization of existing resources for satisfying the needs of the country's national economy and ensuring further growth of the economic potential of Siberia and the Far East.

In recent years, the planning of such progressive forms of organization of the national economy as regional production complexes and special-goal regional programs has become widespread in the republic. Each year plans have begun to be established for the formation of six regional production complexes on the territory of the RSFSR (West-Siberian, South-Yakutsk, Kansk-Achinsk, Sayan, Timano-Pechora and the zone of the Kursk Magnetic Anomaly).

The RSFSR Food and Power Programs are being realized, and integrated programs of development of production of consumer goods and the personal-services sphere, reduction of manual labor and others are being worked out.

Recently, a number of measures was adopted that are aimed at the qualitative improvement of integrated economic and social development on the territory of the autonomous republics, krays and oblasts as well as the republic as a whole. The role of soviets of people's deputies and their planning organs is consistently being increased in economic construction, fulfillment of state plans and provision of combined sectorial and regional planning. The establishment of indicators of economic and social development for the territory of each autonomous republic, kray and oblast has been incorporated in practice within the framework of five-year plans.

Expansion of the financial possibilities of local soviets has been provided, including obligatory coordination by enterprises and organizations with local soviets of growth of the size and provision of balance of the limits of the number of workers and employees with availability of manpower resources; their carrying out of work on rational use of natural resources, production of consumer goods and development of the production and social infrastructure.

The role of planning economic and social development for the respective territories has been significantly increased: planning commissions in the RSFSR have been strengthened considerably, and the RSFSR Council of Ministers has refined and established new statutes concerning them. The rights granted to local soviets in economic construction have made it possible for soviet and planning organs in the localities to more comprehensively solve regional problems, to more actively affect improvement in the work efficiency of associations, enterprises and organizations located on their territories and to coordinate the work of enterprises on questions coming under the competence of soviets of people's deputies.



At the present time, the basic stress of the work of local planning organs has been placed on working directly with enterprises, associations and organizations. Such a method of approach ensures close close cooperation in the work of planning done by enterprises and planning organs of local soviets located on the same territory and provides the possibility to more fully realize the constitutional rights of local soviets of people's deputies and the USSR Law on Labor Collectives. The establishment of plans of economic and social development by local soviets makes it possible to solve many questions locally without petty surveillance on the part of higher management and planning organs.

The complex plans of economic and social development of autonomous republics, krays and oblasts constitute a most important instrument with the help of which all economic elements on a territory and rational location of production are secured. These plans link together economic, social, demographic and ecological factors. At the same time, there has to be a clear-cut delimitation of the functions of departmental and local organs of management in carrying out this planning in the solution of regional problems and ensuring the cooperation of sectorial and regional planning.

The chief function of regional-planning organs, based on plans of sectorial development, is to provide a solution of regional problems. In accordance with the decree of the CPSU Central Committee and the USSR Council of Ministers "On Further Enhancing the Role of Soviets of People's Deputies in Economic Construction" and beginning with the draft of the plan for 1982, all soviets of people's deputies of the Russian Federation will include in five-year and annual plans of economic and social development of autonomous republics, krays, oblasts, okrugs, rayons and cities indicators provided them by enterprises, associations and organizations located on their territory for the purpose of ensuring integrated economic and social development of territories.

Certain difficulties in planning of integrated economic and social development of regions arise because of the fact that some ministries and departments tardily provide planning documents, or because they are of low quality, while ministries and departments do not fully take into account regional interests and resources. For this reason, a radical improvement is required first of all in the planning practice of sectors in the regional context. The General Statute on USSR Ministries, enacted back in 1967, directly pointed out the necessity of sectorial planning while taking into account the problems of development of the country's national economy as a whole and also of the union republics. This requirement so far is being fulfilled in practice within the framework of the Russian Federation only with reference to individual territories selected on the basis of a limited group of indicators in the state plans of the USSR and the republic. Cooperation of the work of sectorial and local organs of management should be increased and improved in the examination of drafts of developmental plans of enterprises and organizations, especially in regard to question of land use, ecology, construction, production of consumer goods and others.

It was already pointed out above that the process of forming a system of regional planning is proceeding actively in the RSFSR. But it is still far

from perfect, there being an absence in it of integration and interconnection of plans worked out on individual territories. Frequently in regional plans sections and indicators are duplicated and excessive overloading of individual plans occurs, particularly of plans compiled relating to the domain of councils of ministers of autonomous republic and ispolkoms of local soviets. This leads to excessive centralization of planning of an economy of local subordination, fetters the actions of local organs and in the final analysis restrains the abilities of Gosplan RSFSR to concentrate its efforts on the elaboration of long-term tasks of economic and social development of the republic and determination of ways of increasing efficiency in the use of resources, growth of the scale of product renewal and growth of labor productivity on the basis of scientific and technical progress.

It was emphasized at the July (1985) Plenum of the CPSU Central Committee that the party would henceforward conduct a policy of bolstering the role of soviets of people's deputies and increasing their responsibility for the state of affairs in each oblast and in each city and village. Soviets must organically unite the functions of adoption of state decisions and organization of fulfillment and control over their implementation. At the same time, special attention should be paid to concrete measures connected with the satisfaction of the diverse needs and requirements of the population for food products through mobilization of local resources and reserves; organization of production of consumer goods at all industrial enterprises regardless of their departmental subordination; solution of social problems; satisfaction of the cultural and spiritual needs of the Soviet people.

Further improvement of regional planning in the republic depends to a decisive degree on the system of scientific and methodological support. The Central Economic Scientific-Research Institute under Gosplan RSFSR in cooperation with other scientific organizations is working on the compilation of methodological instructions for planning integrated economic and social development of different regions. Strengthening of the long-range character of planning in regions envisages the compilation of the required methodological documentation, which local planning organs are in extreme need of.

Major work is being done by the republic's planning organs in the creation and development of automated systems of planning calculations (ASPR). In accordance with decisions of the 26th CPSU Congress, the second section of an automated system of planning calculations is going into operation this year, which will make it possible to secure the performance of most planning calculations on computers. For this, a modern technical base was created at the Main Computer Center of Gosplan RSFSR. Training of qualified personnel for the introduction of economico-mathematical methods is being improved.

Work has been going on on a broad scale for the creation of automated systems of planning calculations at local planning organs, the staffs of which include mathematicians-programmers.

An important instrument in improving the combination of sectorial and regional planning has been in recent years the elaboration of a subsystem of the automated system of planning calculations "Regional Planning and Disposition of Productive Forces" with respect to which the Russian Federation is the head

among the union republics. NIIASU [Scientific-Research Institute for Automated Management Systems] and the Main Computer Center under Gosplan RSFSR have been set the task of switching from the stage of simple compilation of regional plans automatically to wider introduction into the subsystem of multivariant developments of these plans with machine search of optimal solutions and inclusion in this subsystem of data coming from ministries, departments and ispolkoms of local soviets.

A special place in developmental plans of regions is occupied by social problems inasmuch as enhancement of the social aspect of plans and a more profound shift of the economy to the solution of diverse problems connected with boosting the material well-being and culture of the people are characteristic of the present stage. As pointed out at the April (1985) Plenum of the CPSU Central Committee, "the CPSU sees the highest meaning of acceleration of the country's social and economic development in raising steadily, step by step, the well-being of the people, improving all aspects of life of the Soviet people and creating favorable conditions for the harmonious development of the individual. At the same time, it is necessary to consistently conduct a policy of strengthening social justice in the distribution of material and spiritual benefits, increasing the influence of social factors on the development of the economy and boosting its effectiveness." (Materialy Plenuma Tsentralnogo Komiteta KPSS, 23 aprelya 1985 g.) [Materials of the Plenum of the CPSU Central Committee, 23 April 1985].)

With the building of a developed socialist society in our country, new, more favorable conditions than before were came into being for the realization of a broad program of social development. At the present stage, a constantly growing scale, integration and purposefulness of measures in the field of raising the material well-being have become possible. Our society possesses possibilities for successfully solving together with the general growth of income and consumption such important social problems as reduction of differentiation in the material position of the various strata of the population, significant improvement of housing and cultural and living conditions of life in the countryside and reduction of social differences in the regional context.

In the past 15 years, per-capita real income in the RSFSR increased almost 1.7-fold, which has resulted in a qualitative change in the level and structure of use of material benefits and services. Trade turnover of state and cooperative retail trade per capita has grown 13 percent in 4 years of the current five-year plan, and its structure has improved.

Housing construction is going on on a broad scale, and the quality of housing and the level of its amenities are improving. During 1971-1985, residential buildings with a total (usable) space of approximately 910 million square meters became available. More than 90 million persons improved their housing conditions. Practically every newly settling family moves into an individual apartment. About 80 percent of the republic's urban population lives in such apartments.



The material base of health care is being strengthened. Wide-scale measures are being implemented for carrying out the reform of general-educational and vocational school. Much has been accomplished in the republic on social transformation of the village and improvement of the working and living conditions of rural workers.

Among the important social problems of the RSFSR is reduction of regional differences in the level of social development. The Communist Party and the Soviet government pay most close attention to the social development of Siberia and the Far East and to creation here of favorable working and living conditions for the population. Just during 1971-1985, in the eastern regions residential buildings were built with a total space of more than 220 million square meters, the supply of hospitals beds and places in children's preschool institutions increased, while goods turnover of state and cooperative trade doubled and the volume of personal services tripled.

As a result of implementation of the social measures, positive shifts were noted in migrational processes: the eastern regions now no longer lose their population in exchange with other regions. But the problem of providing personnel for these regions cannot be considered solved. Personnel turnover is still great and the rate of new settlers staying on is low.

Some ministries, departments and local organs do not devote adequate attention to problems of social development. Plans of making housing and other facilities of the social infrastructure available frequently are not fulfilled, and lags are permitted in opening up of housing, children's preschool institutions and other enterprises of the service sphere behind the startup of production facilities. As a result, many industrial enterprises and construction organizations are not provided with personnel, which results in incomplete use of the production potential and causes significant economic losses.

Within the complex of regional problems, an important place is occupied by nature conservation. In annual, five-year and long-range plans of economic and social development, a special section "Protection of Nature and Rational Use of Natural Resources" is compiled. Planned management of the state of man's environment is aimed at preserving cleanliness of atmospheric air, rational use and reproduction of water and other natural resources, increased fertility of the soil and creation of recreational and protected areas. For these purposes, the latest scientific and technical techniques and means are employed. Production of high-efficiency apparatus, equipment and instruments for purification and trapping harmful substances and automatic monitoring stations. Enterprises and organizations are implementing complex measures for rational use and protection of flora and fauna, introduction of new methods of dealing with harmful emissions of substances into the atmosphere and production and transport noises and employment of wasteless technologies, systems of using recycled water, complex processing of minerals and utilization of wastes.

Directives of the July (1985) Plenum of the CPSU Central Committee, decisions of the extraordinary session of the USSR Supreme Soviet convincingly confirm

the viability of the task introduced by the party of accelerated social and economic development of the country on the basis of scientific and technical progress. These decisions are in accordance with the basic interests of the people and are of fundamental importance in further bolstering the role of soviets of people's deputies, which have to operate today with maximum activity, to unite workers around them and to more broadly involve them in the work of participation in management of public and state affairs.

The solution of tasks facing planning organs will contribute to a significant degree to the fact that thanks to constant attention to planning organs on the part of the party and the government, there has been a significant improvement in recent years in the structure of gosplans of autonomous republics and planning commissions in krays, oblasts, rayons and cities. Moreover, 193 planning commissions have recently been created in rural and city rayons and cities of kray and oblast subordination. Today there is not a single rayon of an oblast or city in the RSFSR, which does not have a planning commission, and chairmen of planning organs have been simultaneously approved as deputy chairmen of councils of ministers of autonomous republics, and ispolkoms of kray, oblast city and rayon soviets of people's deputies.

The efforts of planning personnel of Russia are now aimed at successful fulfillment of 1985 targets and those of the 11th Five-Year Plan as a whole and at qualitative working up of drafts of plans for 1986 and for 1986-1990. This will require strenuous work, initiative, increased responsibility, self-discipline and demands on oneself and on one's comrades. There is no doubt that the planners of Russia will do everything necessary for the successful fulfillment of the historic decisions of the April (1985) Plenum of the CPSU Central Committee and a worthy greeting of the 27th Congress of the Communist Party of the Soviet Union.

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INTERSECTOR COORDINATION ESSENTIAL TO PRODUCTION PLANNING

Moscow PLANOVYE KHOZYAYSTVO in Russian No 10, Oct 85 pp 52-60

[Article by M. Yegorshev, chief of PEU [Economic Planning Administration] of Minlegpishcheprom [Ministry of Light and Food Industry], candidate of economic sciences, and I. Rabinovich, doctor of economic sciences, professor: "Interbranch Coordination in Long-Term Production Planning"]

[Text] In recent years, considerable successes have been achieved in the theory and practice of national-economic planning. We have seen the accumulation of experience in the comprehensive planning of our country's economic and social development, basically the overcoming of the gap between current and long-range plans, and the improvement of the organizational and methodological base for developing them. There has been an increase in the scientific level of substantiation of the goals, tasks, and main directions in the development of the national economy. Planning has become a continuous process. There has been an intensification of the role played by long-term planning in the system of plans, and this gives them the necessary comprehensiveness and coordination. The rise in the planning horizon has been objectively influenced by the requirements of scientific-technical progress, which is expanding in every where the spatial and temporal frameworks of production, thus creating the need for foreseeing and evaluating the economic and social consequences of the development of science and technology.

In the USSR there has been formed a single national-economic complex, which represents a combination, in a complicated functional way, of the branches and production entities. Therefore special importance in the theory and practice of long-term planning is attached to the accounting for interbranch proportions, the guaranteeing of the balanced state of the interproduction ties. The improvement of the interbranch interaction, both at the stage of development of the planned assignments and at the stage of their implementation, is becoming a very important prerequisite for the scientific substantiation of the plans for the economic and social development of individual branches and the national economy as a whole.

Meanwhile, as is attested to by practical life, in the work on long-term plans, including five-year plans, this kind of interaction has not yet become a mandatory organizational element. In most instances the production planning



in the industrial ministries is of a closed branch nature, and interbranch interaction consists simply of periodically coordinating with the consumers certain of the general volumetric indicators. The lack of any reliable system of joint participation by the self-interested sides in production planning leads to the arising of undesirable frictions between them, and to the appearance of miscalculations in the plans for manufacture of output and the supplying of it to the appropriate consumers.

The balance-sheet coordination of production and consumption is possible only if there is close interrelation and coordination of the actions performed by the manufacturers of industrial output.

At the present time this coordination is carried out, as a rule, only at the summit of the planning pyramid -- during the submittal by the ministries and departments of the draft versions of the production plans and the requisitions specifying the need for material-technical resources to the central planning and supply-and-sales agencies.

The coordination of the planning indicators at this stage represents no small difficulties, inasmuch as the discrepancies that are revealed require considerable adjustment of the recommendations made both by the potential manufacturers and the consumers of the output, and this inevitably disturbs the entire system of technical-economic computations and substantiations being developed by them. It is also necessary to keep in mind that the need for resources is determined long before the development of the production plan and the funds allocated to the consumers, with regard the volume of structure of material-technical means, frequently do not correspond to the real need for them. To a considerable degree these difficulties can be avoided if the coordination of production and consumption is carried out at all stages and in all links that participate in developing the plans for the economic and social development of the interrelated branches of the national economy. This requires, first of all, the creation of an organizational mechanism for the interaction of the structural subdivisions of the ministries that are the manufacturers of the output, their all-union industrial associations, the scientific-research and construction planning-and-design organizations with the appropriate agencies of the consumer ministries for the purpose of developing an intercoordinated program for producing the means and objects of labor that they need. This requires a systems approach that guarantees the comprehensiveness and organizational precision of the functioning of the system of long-term planning under conditions of multibranch management.

One of the most important functions of the branch ministry is the study of the need for the output that is assigned to it, and the ascertaining of the volume of its production both in the specialized branch and at the enterprises of other ministries. At such time the ministry that is the lead producer of the output studies the conditions for its use, as well as the consumers' requirements concerning its quality.

This principle reflects the procedure that has developed in previous years for developing long-range plans for need and production, and the role of the ministries in determining the volumetric indicators of their activity. The objectivity of the evaluation of the national-economic needs with this system

of determining them must be influenced by comparing the planning computations of the ministries with the data in the balance sheets for raw and other materials and equipment which are drawn up by USSR Gosplan.

The establishment of the demand for the output of machine-building and metal-working must be preceded by a study of the noted tendencies and structural shifts in the consumption of that output in all branches of the national economy with a consideration of the origin and introduction of new technological processes, the improvement of the organization of production, the expansion and renovation of the variety of articles, etc. At such time there must be a guaranteeing that equipment will be provided for the construction and activation of new enterprises, as well as the remodeling and expansion of the existing ones, the renovation and supplementing of the existing pool of equipment, the repair needs of the branches being served, and the needs of export. It is also necessary to take into consideration the possibilities of improving the operation of the equipment and the mobilization of its warehouse balances (reducing the volumes of uninstalled equipment).

Even a hasty acquaintance with the computations that must precede the ascertaining of the long-term need for equipment makes sufficiently obvious the difficulty of their fulfillment only by the manufacturer minister. The fact of the matter is that almost all the technical-economic information that is necessary for this is concentrated in the ministries and enterprises that are the consumers of the equipment.

Herein, in our opinion, lies one of the most essential organizational nonconformities of the existing practice of the long-term planning of the need for equipment. Obviously, the establishment of the need for necessary production goods cannot be the prerogative only of the consumer. The supplier must play in this question an active role. Moreover, he is extremely self-interested in the most complete and most reliable definition of the demand for the articles that he produces. However, he is incapable of satisfying copying with this task independently (and we are convinced of this by the experience of planning by the machine-building ministries of the need for their output). This requires the joint efforts of the manufacturer and the consumer.

The statutes that are in effect stipulate the coordination of the draft version of the long-range plan with the interested ministries, USSR Gosplan, and USSR Gosstab. Something else that must contribute to the more complete consideration of the need in the draft versions of the plan is the coordination with the consumers, on the level of the enterprises, of products-list production plans.

Nevertheless the generally accepted forms of these coordinations do not eliminate the possible miscalculations in the planning of production, or in the conformity of its volumes and variety structure to the total need for the output to be produced. This is explained, in our opinion, by the lack of any well worked-out system of interaction among the ministries, their functional subdivisions, and the enterprises that represent the producing and consuming branches in the process of developing and implementing the production plans.

A higher level of interbranch planning is usually achieved wherever the producing and consumer branches directly interact with one another, rather than through the intermediate link -- USSR Gossnab and its main sales administrations. For example, in printing machine-building (Minlegpishchemash [Ministry of Machine-Building for Light and Food Industry and Household Appliances]) there exists a procedure for coordinating a products-list production plan directly with the consumer branch, including at the enterprise level. This subbranch has developed a special standard that regulates the procedure for preparing and coordinating the products-list production plan for the next year and five-year plan. This standard stipulates, in particular, the submittal to USSR Goskomizdat [State Committee for Publishing Houses, Printing Plants, and the Book Trade] of the draft version of the plan for the production of equipment for the printing industry, the preparation and examination of the protocols for coordinating the products-list production plans, the refinement on their basis of the planning assignments, etc. As has been attested to by practical life, the planning of production at the Soyuzpoligrafmash VPO [All-Union Industrial Association] is distinguished by a rather high level of its conformity to the ascertained need for printing equipment.

It should be noted that the direct coordination with the consumer of the volumes and products list for the output to be produced for him essentially increases the consumer's responsibility for the substantiation of the production orders and the supplier's responsibility for satisfying the need that has been revealed. The fact of the matter is that with this procedure for their joint participation in balancing the production and the needs, there is no opportunity to transfer the responsibility for any miscalculations that have been made to any intermediary agency that regulates their interrelationships in questions of sales and supply. In addition, the direct coordination of the terms of production and use of the output makes it possible to reduce to the minimum the reciprocal claims made by the contracting parties with respect to differences in evaluating the needs and the opportunities for satisfying them, and guarantees the necessary unity in resolving the questions of the interrelated development of the suppliers and consumers.

All the remaining all-union industrial associations of USSR Minlegpishchemash coordinate the draft versions of the products-list plans for production not with the consumers, but with Soyuzglavmash, of USSR Gossnab, and with the wholesale base of USSR Mintorg [Ministry of Trade] (for commodities intended for cultural, everyday, and household use).

Formally it is considered that, when developing the draft version of the long-term plan for the producing branches, one takes into consideration the recommendations made by the consumer ministries. USSR Mintorg, for example, send to Minlegpishchemash recommendations pertaining to the volume of production and the market funds for commodities intended for cultural, everyday, and household use. However, these volumes are preliminary ones and are substantially refined on the basis of the results of the interrepublic wholesale fairs.



On the other hand, Minlegpishchemash sends to the consumer ministries for coordination the computations of the need for the appropriate types of equipment, which computations are being developed by the branch institutes that are subordinate to Minlegpishchemash. However, when drawing up the long-term production plan, the all-union association, as well as the ministry, make almost no use of those computations; at best, they orient themselves on those computations when checking the substantiation of the production orders submitted by the consumers and when defending the volumes being planned at USSR Gosplan and USSR Gossnab.

This is explained by the fact that the plans for the production of output which are being developed by associations (enterprises) and the computations of the need for that output which are being prepared by the branch institutes, as a rule, have not been coordinated with one another. The former reflect, for the most part, the supplier's production capabilities, and the latter reflect the needs of the branches being supported. When they are being developed, one keeps in mind various factors and the specific circumstances that characterize the production functioning of the suppliers and consumers. In addition, the enterprises do not have any special need to take into consideration the computations being made by the institutes in the branch, inasmuch as similar computations, and ones that are considerably more realistic and ones that must be taken into consideration, are submitted in the form of a production order by the consumers themselves. Moreover, the developments of the branch institutes and consumers are carried out in accordance with different, uncoordinated methodologies. The lack of any single coordinated methodologies for the long-term planning of the needs and production gives rise to substantial discrepancies in the materials being submitted.

At the same time, the computations of the need for output in the branch which are carried out by its institutes are necessary and must be used more broadly to increase the substantiation of the draft version of the basic directions for its economic and social development. This requires not only the improvement of their quality, but also the use of skilled boards of experts. For this purpose Minlegpishchemash is creating commissions to evaluate the need for technological equipment and spare parts for it, as well as the need for commodities intended for cultural, everyday, and household use, which needs are to be determined by the branch institutes. The commissions are headed by the deputy ministers; their makeup includes chiefs of VPO [all-union industrial associations], deputy chiefs of the economic-planning, production, and technical administrations, and the directors of the appropriate institutes. For the direct execution of computations, work groups are being created at the institutes. The consideration and approval of these developments must not be carried out until after they have been coordinated with the consumer ministries. The functions of the commission include not only the establishment of the real need for the output of the branch, but also the preparation of specific recommendations to satisfy that need.

This procedure of the preliminary preparation of the planning and forecast computations undoubtedly promotes the increasing in the degree of their reliability, and, consequently, the substantiation of the long-term production plans being developed on their basis. However, it must be admitted that the

effectiveness of the work performed by the intraministerial commissions to determine the need for output does not yet correspond to those tasks that have been assigned to them. They do not yet provide (despite the preliminary coordination) the proper coordination with the appropriate agencies of the consumer ministries.

In the practice of national-economic planning a considerable amount of experience has been accumulated in resolving major and complicated problems of an interbranch nature. This is attested to by the development of a number of comprehensive target programs and by the successful development of interbranch production complexes. In recent years there has been a noticeable intensification also of the interbranch functions of the ministries. An example of the broad interbranch interaction can be provided, in particular, by the creation and introduction into production of new types of industrial output.

Minlegpishchemash has approved a branch standard (OST-27-72-5-82) which strictly regulates the procedure for developing, coordinating, and releasing into production new articles at the stage of the preparation of the technical assignment, planning and designing documentation, the manufacture of experimental samples and the testing of them, as well as the organization of their series production. At every stage, provision is made for the mandatory coordination with the customer, who has the right to have a board of experts consider the new article. Moreover, frequently the customer becomes a direct participant in the process of developing it and introducing it into production.

The mandatory nature of the coordination procedure, the precise procedure itself, and the precise deadlines and terms for carrying it out undoubtedly promote (despite all the shortcomings that still exist in this matter) the more complete correspondence of the new articles being assimilated by machine-building to the real need for them, with a consideration of all the requirements pertaining to their technical and operational qualities.

A similar standard or, at least, a mutually coordinated statute that would stipulate the organization of the interbranch cooperation between the manufacturers and consumers of machine-building output at the stage of forecasting the need for and the long-term planning of its production, unfortunately does not exist. The Methodological Instructions of USSR Gosplan concerning questions of long-term production planning do not stipulate a uniform procedure for the joint participation of the ministries that manufacture and consume technological equipment in the carrying out of that work. Moreover, this must be a matter not so much of coordination, as of the joint carrying out of the entire procedure of the long-term planning of the need for and the production of complicated machine-building output. It is necessary to develop an organizational model and a corresponding mechanism for this kind of cooperation, including the economic, sociopsychological, legal, and informational aspects of its functioning.

There are no doubts that the improvement in the quality, and primarily the substantiation, of the planning persistently require the elimination of the departmental fragmentation and branch exclusivity when resolving questions of

the long-term development of production, which, by their very nature, have an obviously expressed interbranch directedness. The orientation of the ministries on their narrowly departmental interests can be overcome only when, in the planning of the production of the output to be produced by them, the consumer takes immediate part.

In this regard we would like to note that certain economists, recognizing the need for the intensification of the interministerial coordination in questions of planning the production and consumption of industrial output, express the opinion concerning the desirability of bringing together the functional subdivisions of the ministries that are responsible for planning production, supply, and sales, to bypass the existing interbranch agencies of administration, particularly the soyuzglavsnabsbyts attached to USSR Gosplan. They recommend restoring the sales agencies of the ministries and thus partially returning to the old, pre-Sovnarkhoz [Council of the National Economy] system of planning production and the selling of output (Footnote 1) (See: I. Kalinin, "Certain Problems of Selling Industrial Output," *PLANOVOYE KHOZYAYSTVO*, No 6, 1983, pp 62-63.

It seems to use that there also exists another path for the resolution of this problem: the creation of interbranch coordination agencies of administration. The existing domestic and foreign experience attests to the possibility of their effective functioning. The basic principles, prerequisites, and conditions for the successful activity of these agencies could be formulated as follows:

- the precisely regulated nature of the makeup of the participants, the procedure, deadlines, and organization of the work of planning it and and evaluation of the results;

- the equality of the powers exercised by the representatives delegated by both sides (suppliers and consumers);

- the high level of their competency in resolving a series of tasks which have previously been outlined;

- the granting to the manager of the interbranch agency of arbitration functions and the right to cast the deciding vote;

- the creation of the necessary conditions, including the informational ones, for the fulfillment by all the participants of their functions and powers;

- the strictly mandatory nature of the fulfillment of the mutually coordinated decisions.

They must be created at the interministerial level (coordination councils), the level of all-union industrial associations (committees), and, if necessary, also at the level of the production associations.

The interbranch coordination council is formed by a joint order issued by the manufacturer ministry and the consumer and operates on parity principles. Its



makeup can include representatives of the combined ministries and departments, with the right of voice but no vote.

These agencies should be formed within the confines of the existing number of personnel and wage funds, and should convene whenever necessary, depending upon the periods of time required to develop and coordinate the long-term plans for need and production. They should be headed, as a rule, by workers at the ministries and VPO's who have a sufficiently high rate to assure that the decisions that are being made by them can be of a mandatory nature for the subordinate enterprises and economic organizations. The measures being planned, for which no success has been reached in achieving the necessary unity of opinions, can be transferred for review either by the higher coordinating agency or the leadership of the appropriate ministries.

The preliminary coordination of the volumes, variety structure, technical-operational level, prices, and other plan indicators at the coordination councils, committees, and other interministerial agencies would substantially simplify the procedure of considering and approving the plans for production and consumption and would reduce the interdepartmental contradictions that are currently revealed basically at the stage of coordinating the physical and value indicators of the plan directly at USSR Gosplan.

Contradictions of this kind, which inevitably arise in the practice of branch planning, must be eliminated at the preliminary stages of development of the volumetric indicators. This is specifically the goal that must be promoted by their discussion at the coordination agencies, where the opportunity occurs for comparing the various points of view with regard to the drafts of the production plans and forecasts, the demand, the taking into consideration of the opinions and the realistic conditions for the economic-production activity of the contracting parties, and the coordination and balancing of the volumes of consumption and production on, so to speak, a compromise basis. Obviously, the decisions made by the coordination agencies must be substantiated both technically and economically, and must correspond to the interests of the national economy, and to the overall conception and control figures of the long-term plan for the country's economic and social development.

The functions of the coordination agencies must include not only the preliminary coordination of the indicators of production and consumption of output, but also the search for ways to implement the plans that have been set down, and the submittal to the leadership of the appropriate ministries of well argued recommendations for expanding the production scarce, as well as long-term, output, the search for additional capital investments for developing the material-technical base, and financial, labor, and material resources. They can act as the initiators of the joint effort of the branches in designing and producing new articles, in improving technological processes, organizing interbranch production entities, raising the proficiency level of the personnel, etc. An important task of these agencies must be the guidance of all the operations to forecast and develop the long-term plans for the production of output on a single scientific-methodological base, to organize boards of economic-technical experts to consider the submitted computations of the need and the production plans; and the increasing of their substantiation and balanced nature.

On the basis of the results of the work performed by the coordination agency it is necessary to formulate in the established procedure the coordination minutes, in which it is necessary to record the disagreements that exist at the particular stage and that require the subsequent decision by the superior agencies of economic administration, as well as the proposals and recommendations with regard to questions that fall within the competency of the particular agency. Its decisions must be mandatory for the ministries and departments and their subdivisions which have been represented in it.

The setting up of permanent contacts between consumers and suppliers on an interministerial basis will contribute to the development of interbranch cooperation, including technical mutual assistance in the process of developing the major scientific-technical programs in which the appropriate ministries have a self-interest. It is precisely the permanent interbranch coordination agencies can become that missing link, the absence of which at the present time is restraining the effective cooperative action among the industrial ministries in the joint resolution of the major tasks of national-economic importance.

This procedure for the formation and functioning of the interbranch coordination agencies is possible, provided there is more or less narrow specialization of production. For example, Minlegpishchemash directly guarantees (produces) technological equipment for USSR Minlegprom, USSR Minpishcheprom, USSR Minmyasomolprom, USSR Minplodoovoshchkhov, USSR Goskomizdat, and USSR Mintorg. Therefore the decisions of the USSR Minlegpishchemash-Minlegprom, USSR Minlegpishchemash-Minpishcheprom, and other coordination councils must have the force of recommendations also for the other ministries that produce individual types of equipment for the corresponding consumers. Their representatives can be coopted with the right of voice but no vote as part of the coordination council.

The ministries that produce output of broad interbranch application cannot, by a bilateral procedure, resolve questions of the long-term planning of its production. There must be an intensification here of the role played by the soyuzglavsnabsbyts attached to USSR Gossnab. The latter should regulate not only the development of the current production plans, but also the long-term ones, and this, at the present time, is being done quite insufficiently by them.

In the interbranch coordination of long-term planning, the scientific-research and planning and designing organizations take on special importance. The branch institutes usually have within their makeup subdivisions that have been called upon to engage in long-term planning. However, their place in the structure of the NII [scientific-research institutes], the scale of the activity, and the provision with skilled personnel are dissimilar. There is also a difference in the degree of their participation in this work. Some engage in it more or less regularly, and others do so chiefly during the period of development of long-term plans, simultaneously executing the functions that are linked with the planning and coordination of scientific-research activity, the execution of technical-economic substantiations, the computation of prices for new articles, the planning of the development and

placement of enterprises in the branch, etc. In most NII this work is not carried out with a systems approach, but is carried out basically on the basis of the needs of the ministry, and therefore is frequently of poor quality.

The practice of social and economic planning in recent years attests to the fact that a definition of the long-term social needs which is successful at the modern scientific level is possible only if there is broader involvement in this work of the branch scientific-research and planning and designing organizations. In order to assure that they actually become branch forecasting centers, it is necessary substantially to expand and reinforce those subdivisions in their structure which engage in these questions, and to intensify significantly the attention to this very important problem. The decisions concerning the beginning of manufacture or the increase in the production of various types of output, and their design and technological refinement, should not be made until there has been a most careful study of the long-term need for it, as well as the material-technical conditions of production and the sales mechanism and sphere.

The deepening of the functions of the branch NII in the area of demand forecasting, the intensifying of the subdivisions that have been called upon to engage in it, and the raising of the organizational and methodological level of that work will make it possible to achieve a substantial improvement in the quality of long-term planning of production as coordinated with the needs of the national economy.

In order to make decisions for long-term planning it is necessary to carry out a large amount of preliminary work, including work of a computational nature. For this purpose the coordination agency must have attached to it a working group (group of experts) which can be created on the base of the corresponding branch scientific-research institutes. The makeup of the group must include the leading specialists in the functional subdivisions of the ministries that are represented at the coordination agency, the all-union industrial associations, as well as the branch scientific-research and planning and designing organizations. The quantitative and personnel makeup of the experts is determined on the basis of the volume, complexity, and nature of the operations to be carried out.

The basic task of the working groups is to forecast the need for output and to ascertain the technical-production and economic-organizational capabilities of satisfying that need, the carrying out of preliminary coordination of the computations that have been carried out, and the submittal of them to the coordination agency with an explanatory memorandum that includes an analysis and substantiation of the volumetric figures, variety, and deadlines for the production of output in conformity with the need that has been ascertained. The working groups, using modern methods of need forecasting, must carry out the computations with a consideration of the entire diversity of the factors that determine the long-term demand for the output destined for technical-production use and for national consumption. Within the framework of these groups there will be direct interaction among the specialists representing the manufacturer and the consumer of the output, in the process of the development of the need forecasts and the production plans, as well as the exchange of technical-economic information, the carrying out of reciprocal consultative



sessions, and the preliminary refinement of the possible administrative decisions.

The creation of working agencies, obviously, does not exhaust the problem of interbranch coordination in the long-term planning of production. However, without creating an organizational mechanism of interbranch interaction, it is difficult to count on the possibility of the successful resolution of the task as a whole. In addition, in order to improve the interbranch coordination, it is also necessary to have the appropriate methodological support. Factually speaking, it began to develop long before there was an awareness of the need to create agencies of interbranch coordination. Therefore the existing methodological statutes either do not stipulate this kind of coordination at all, or mention it in only the most general terms. This could not fail to have an effect on the overall procedure and methodological peculiarities of developing the long-term plans.

Failing to receive any satisfactory substantiation of the need for technological equipment from the branches that use it as the fixed production assets, many machine-building ministries were forced to show their own initiative and to develop and employ in the practice of long-term planning their own methodological principles governing the forecasting of the need for the output being produced by them. Those principles suffer from a certain onesidedness in the evaluations, and in addition propose using in the forecast computations the technical-economic information that has been borrowed from the consumers. One also can scarcely deem to be completely justified the orientation on the application of the normative method of forecasting. All this attests to the obvious imperfection of the methodological-computational basis of forecasting the need for the output being produced by the machine-building ministries. Nevertheless it must be admitted that at the present time these computations are the sole means of monitoring the substantiation of the need for the technical equipment that is being requested by the consumer branches.

It would seem that the coordination councils and their working groups should be given the responsibility of coordinating the methodological principles, procedure, and system of forecast computations being carried out by the suppliers and consumers and by the scientific-research institutes that are subordinate to them.

The substantiation of the long-term production plans is determined not only by their conformity to the ascertained need, but also by the possibility of providing the planned assignments with all the necessary types of resources. That means that the coordination councils making the decisions about the volumes of production of machine-building output which are being planned for the long-term period must have at their disposal information of a forecast nature in this area also. They must also possess the right to make recommendations with regard to the intensification of the economic self-interestedness in increasing the level of argumentation of the planning computations, the material and administrative responsibility of the officials for any miscalculations that have been made or any incompetent decisions that have resulted in considerable detriment in the form of losses and damages.

It must be assumed that the improvement of the organizational mechanism for the interaction among the producers and consumers of industrial output in the process of ascertaining a need for it and the planning of its production will contribute to increasing the balanced nature of the plans for economic and social development and to improving planning activity as a whole in the national economy.

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### INVESTMENT CONCENTRATION, QUICKER PROJECT COMPLETION URGED

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[Article by I. Perepechin, department chief, USSR TsSU [Central Statistics Administration], candidate of economic sciences, under rubric "The Plan and Management Practice": "Increasing the Concentration of Capital Investments (For Purposes of Discussion)"]

[Text] The conference at the CPSU Central Committee on questions of accelerating scientific-technical progress has posed the task of guaranteeing the concentration of capital investments and the observance of the normative deadlines for the construction of projects, and of transforming construction production into a single industrial process.

At the present time the problem of increasing the concentration of resources is one of the chief problems in the economics and planning of construction. The ministries and departments and the planning agencies are taking steps to reduce the number of enterprises and projects that are being erected simultaneously, chiefly by means of the sharp limitation of new structures. However, despite the certain amount of success (in particular, the suspension of the increase in uncompleted construction), no substantial breakthrough has been achieved yet.

The consolidation of construction projects frequently leads to a considerable increase in their average and total estimated cost. The latter increases in outstripping rates as compared with the annual capital investments, so that, in order to complete construction, longer and longer periods of time are required, and the rates of expanded reproduction are correspondingly slowed down.

In 1984 the period of time required for production construction (including the period of partial operation of fixed assets) increased as compared with 1980 by 3.2 percent, and without the inclusion of that period, by 3.4 percent. Simultaneously the number of construction projects and enterprises carrying out the construction of individual projects increased by 21.4 percent. But their total estimated cost increased by 11 percent, and their average estimated cost, by 40 percent.



Consequently, the efforts of the ministries and departments to reduce the number of construction projects have not yet led to an increase in the concentration of capital investments. This is also attested to by such an important indicator as the backlog readiness. In the current five-year plan that readiness dropped by 15 percent and in 1984 came to only 42 percent of the norm that had been approved by USSR Gosplan. In 1984, in production construction, the concentration of resources was, on the average, approximately one-fifth to one-half the normative level.

The concentration of capital investments is inseparably linked with the time periods required for the activation of fixed assets. The more rapidly they are erected, the greater the concentration of the corresponding expenditures for their creation. For this purpose it is necessary to have the optimal concentration of the capital funds in space and in time. Specific ways to increase the concentration of resources are dictated basically by the local tasks of the socioeconomic policy. At the same time there are also certain general principles and natural laws that make it possible to evaluate the concentration and to develop steps to intensify it. Thus, for a long period of time it was evaluated by the method of correlating the normative time periods for construction with the planned or actual time periods, and also by means of comparing the actual or planned volumes of capital investments with those volumes which were supposed to have been allocated when carrying out construction in conformity with its normative time periods.

The use of the second method is complicated by the fact that, for most of the enterprises and projects, the normative time periods in the year or other period being planned are already overestimated, and, consequently, a volume of capital investments that corresponds to the norm is lacking and must be created artificially. But the first method is of considerably greater interest. Obviously, for the more active exertion of an effect upon increasing the concentration, during economic analysis, it should be extended not only as a whole to the national economy, branches, branches, ministries, and departments, as is the general practice at the present time, but also to individual construction sites and projects.

The concentration of capital investments contains several aspects. The comparison of the entire normative duration of construction with the entire planning or actual time period characterizes the concentration in the broad sense of the word. It is the concentration that has formed or that is forming over the duration of the entire construction cycle. But for practical tasks it is important to have a characteristic of the concentration at the stage of forthcoming construction, that is, at the stage remaining from the particular moment to the activation of the fixed assets.

Of course, the concept of concentration here is more narrow than throughout the entire construction cycle, but it is precisely in the forthcoming period that the practical ways of increasing it as a whole are concentrated. Let us imagine an enterprise that is taking a long time to construct. The normative period of construction has already been doubled, and its readiness constitutes, say, only 50 percent. It is clear that during the period that has elapsed there has been a considerable dispersal of expenditures (a four-

fold lag behind the norm), but it is not possible to change anything. However, the forthcoming, remaining period can be different. It is possible to have a preservation and even the intensification of the dispersal of funds (the completion of the construction with a four-fold or greater exceeding of the norm). But it is also possible to develop and implement measures to increase the concentration of capital investments. It is possible here to have administration, the availability of various alternatives of planning decisions. And if, in the remaining period, the concentration rises (for example, the final phase of the structure of the project is carried out at the normative rates), then, as a result, it will also increase within the confines of the total period of construction (the exceeding of the norm will no longer be four-fold, but less than that).

There is a similar situation with concentration not only for an individual enterprise, but on the whole for the national economy, branches, ministries, or departments. Therefore, in addition to the overall evaluation of concentration by means of the correlation of the entire normative duration of the construction of the project with the entire planning or actual period, it is desirable to evaluate the forthcoming concentration. Instead of the total planning or actual time period, it is necessary to use the remaining time period (the time remaining from the particular moment until the activation), and also the corresponding share of the normative duration of construction.

If the normative periods (complete or remaining) are unchanged, then the reduction of the planned or actual periods (corresponding, complete or remaining) attests to the increase in the concentration of capital investments. This pertains especially to the national-economic and branch level, where the normative duration, as a rule, is almost unchanged within the confines of the five-year period (for the ministry, department, branch, or national economy). Therefore, when evaluating, on this level, the planned and actual indicators, the dynamics of the remaining average period of construction characterize with sufficient reliability the changes in the degree of concentration or dispersal of the funds.

In 1984 as a whole, for production construction, the period of construction of projects remaining until the activation (including the period of partial operation of fixed assets) increased by 6.4 percent as compared with 1980. This attests to the fact that the concentration of capital investments is decreasing.

The reasons for the decrease are well known. The chief reason is the attempt of the ministries and departments to begin the construction of as many projects as possible. And once that construction has begun, sooner or later it will be completed. This kind of guarantee is very important for assuring that the ministries will resolve the vitally important problems of increasing the production of output, the economizing of material and labor resources, the improvement of the placement of productive forces, etc.

The surplus of newly begun construction, which surplus leads to the dispersal of resources, has been accumulating over a period of many years, and the overcoming of this tendency is a task of very great importance to the national economy. But that is insufficient. It is necessary to reduce not so much the

quantity of newly begun construction sites and projects, as it is to reduce their total estimated cost. The increase in the estimated cost exerts an influence upon the dispersal of capital investments irrespective of what has caused it -- the inclusion into the plan of newly begun construction projects, or the re-examination of planning and estimate documentation for those projects that have been under construction for a long period of time.

As has been indicated by research, the cost of production construction increases on the average by 2.5 percent a year as compared with the previous year, and by more than 20 percent with respect to the initially approved cost. That means that every year there is approximately 20 percent more newly begun construction than is listed nominally (on the construction master lists, etc.). The increase in the cost is influenced by a number of factors, and in particular by the underestimation of the cost when asking for approval (for the purpose of including the construction site in the plan more quickly). This kind of underestimation is promoted by the system of providing material incentives to the construction-design organizations, as well as the periodically conducted campaigns to reduce the estimated cost. The re-examination of the construction-planning and estimate documentation is also caused by the prolonged periods of construction, and the latter, in turn, lead to the dispersal of capital investments.

Frequently it is possible to refuse to make the decision to begin building a particular projects. But the re-examination of the construction-planning and estimate documentation in most instances is of an enforced nature and does not give any opportunity to choose whether or not to carry it out.

Economists have suggested a number of recommendations for overcoming the dispersal of resources. But, practically speaking, they have not yielded any noticeable results, inasmuch as they proved to be either insufficiently effective or their implementation came up against insurmountable difficulties.

Two recommendations are the best known. The first one can be summarized as the taking of all steps to limit newly begun construction. However, the share of the latter in its overall volume is not large. Therefore the results of this measure will prove to be insignificant. In order to put the actual construction periods into conformity with the established ones, it will be necessary to have a very prolonged stage of the complete refraining from starting any new construction projects, and this is unrealistic. But even with this condition the value of the operations will increase as a result of the re-examination of the construction-planning and estimate documentation at the previously begun projects, and this will additionally impede the process of normalization of the construction cycle.

It is impossible to reduce completely (or by half) the newly begun construction, inasmuch as the interests of the national economy require a flexible investment policy. It is necessary to have improvements in the branch and territorial proportions in the economy, the introduction of the achievements of technical progress, flexible reaction to a change in the international situation, etc.



The other recommendation consists in establishing for each ministry and department an upper limit of the total cost of the construction being simultaneously carried out. The limit would be based, on the one hand, on the average normative construction periods, and, on the other hand, on the size of the annual capital investments. This suggestion was made for the first time more than ten years ago by USSR Stroybank. The suggestion, without a doubt, is of interest and is more realistic than the limitation of the newly begun construction (although, incidentally, it does include that factor). The complexity of implementing this recommendation lies in the fact that at the present time the total estimated cost greatly exceeds the optimal value. Consequently, if such a limit were to be established, the problem of reducing the actual indicators to it would be preserved. And that means that the second recommendation, in essence, is a means not for increasing the concentration of expenditures, but for preventing their dispersal after the concentration has achieved the normal level. We might note that the authors of this recommendation have in mind all the newly begun and backlogged construction, including that which has been temporarily suspended or mothballed. This refinement is very important. The limit of estimated cost would have considerably more realistic content if, by the construction being simultaneously carried out, one understood only that which is actually being carried out, that is, the total amount minus the projects that have been mothballed or temporarily suspended.

In order to increase the concentration of capital investments, it is necessary to limit the construction front. By that one should understand not only the quantitative factor (the number of projects) and the qualitative (average estimated cost of one construction project), but the totality of both factors, which means the total estimated cost of the construction being simultaneously carried out. Computations indicate that the actual amount of the latter is twice as large as the optimal (that is, the amount which, in conformity with the annual resources being allocated, could be assimilated within the normative time periods).

A delay in activating projects which has been caused by the dispersal of funds leads to large losses for the national economy. For example, in 1984 they were approximately equal to the annual volume of capital investments. In essence, that means a two-fold increase in the cost of construction (doubling of national-economic expenditures) as compared with what could have been the case if there had been a strict observance of the norms for the duration of the operations and an optimal concentration of resources -- which two-fold increase is not reflected in the plans or reports.

Under conditions when it is impossible to achieve a sharp increase in the capital investments in the totality of the enterprises to be constructed, and the limitation of the newly begun construction projects yields insignificant results (or, with the purely quantitative approach, does not provide any), what remains the real gauge is the broad temporary mothballing of a considerable part of the construction to be carried out.

At the conference at the CPSU Central Committee on questions of scientific-technical progress, it was noted that there currently exist in our country too



many construction projects that have been begun, and it is necessary to analyze them carefully to determine those projects for which the construction should be accelerated and those that should be temporarily suspended or mothballed.

The economic benefit from mothballing is indisputable. It is more profitable, for example, first to complete one project in two years by suspending the construction of another, and then to complete the latter in the same time period, than to get both of them ready simultaneously, but not until four years later. Because, in the event of successive construction, the second project will be completed not after a delay, but in one and the same time period, either in the event of mothballing or without it. The temporary suspension of its construction does not cause any losses (if one does not consider the insignificant expenditures for mothballing). But the first project can be erected twice as fast. Moreover, the total expenditures will not increase.

The effect of the concentration of resources in this example is obvious. This is also its nature in more complicated situations when, instead of arbitrary figures, one uses the real cost and time indicators. The convincingness of the arbitrary examples not only is not reduced as a result of this, but, I daresay, increases (inasmuch the phenomenon is considered in a form that has been purified of all extraneous influences, thus making it possible to see its essence more clearly).

The temporary mothballing, then, is that means with the aid of which one can reduce the time remaining until the activation of the project and to increase the concentration of the capital investments without expending additional resources and without changing the amount of the total estimated cost. Of course, the construction periods, if one includes the mothballing period in them, will not immediately drop to the level of the norm. But, at the same time, mothballing makes it possible to achieve their maximum possible preservation.

It must be noted that the mothballing of considerable volumes of construction causes a negative attitude on the part of many economists. Actually, if it is carried out unskillfully, it can cause more harm than good. Mothballing contains two dangers. One of them consists in the fact that during the period when the construction has been suspended, the uncompleted objects can become decrepit, all kinds of thefts are possible, etc. In order to guarantee that the projects will remain intact, it will be necessary to make certain lump-sum and current additional expenditures that increase the cost of construction. However, it seems to us that these expenditures are insignificantly small when compared to the possible benefit (as a result of the accelerated activation of the projects that have not been mothballed).

Another, more serious negative aspect of mothballing lies in the fact that its benefits can be nullified by the newly begun construction. Instead of promptly renewing the construction that has been mothballed, new construction might begin. Arguments that can be advanced as reasons for this are the obsolescence of the construction plans that were used as the basis for the construction of the mothballed enterprises; the inefficiency of their

location; etc. In this instance the mothballing would lead not to a reduction of the resources (as a result of the acceleration of the activation of the projects), but to an increase; not to an increase in their concentration, but to the further dispersal of resources.

That is why the mothballing of construction projects requires a well thought-out approach and their prompt renovation. The volume and periods of mothballing must be the optimal ones. Losses (or the underachievement of the corresponding benefit) will occur either if they are underestimated or are overestimated.

Undesirable consequences of suspending construction (the wrecking of the projects, thefts, etc.) can be avoided by means of conventional mothballing with the preservation of the minimal volumes of capital investments. This maximally slowed-down use of funds (for a definite period of time, after which the rates of the operations must increase sharply) will provide the opportunity to concentrate the freed resources in other sectors of construction. There will be a corresponding acceleration in the activation of the latter, and at the same time it will be possible to prevent the undesirable consequences of the complete cessation of construction (for a certain period of time). For each specific instance it is necessary to carry out an economic analysis, in order to determine which is more desirable -- complete mothballing or conventional.

But the chief means that promotes effective mothballing is, in our opinion, the establishment of an upper limit for the remaining estimated cost of the unmothballed construction that is to be carried out simultaneously. Establishing this limit is uncomplicated. It is equal to the product of the average normative time period remaining until the activation of the project (in years) and the annual capital-investments limit. The obtained figure is the limit, the maximum. It characterizes that remaining total cost of construction, which, with the capital investments that have been allocated, can be assimilated on the average within the normative periods. (Footnote 1) (The establishment of a limit for the remaining estimated cost of the unmothballed construction being carried out simultaneously is possible either with a consideration of the intermediate (partial) activation of the fixed assets, or without it. In the first instance, one uses the net remaining normative construction period; in the second, the complete period (that is, the net period is without the period of partial operation; the complete period includes that period). Correspondingly, the obtained limits in the first instance are comparable with the residual estimated cost without the cost of the partial activation of the fixed assets; in the second, with the entire estimated valued (including the partially activated fixed assets).)

This limit must not include the cost of the mothballed construction (or that which is going to be mothballed), or the previously executed expenditures. If the actual remaining total estimated cost (both of the carryover construction and of the construction to be newly begun, with the mandatory consideration of the increase in the cost as a result of the re-examination of the construction-planning and estimate documentation) exceeds that limit (and in the conditions that have developed, that cost exceeds the limit by several times), the difference is to be mothballed.

If the economic computations show that, for certain enterprises, the type of mothballing that is desirable is not the complete type, but conventional mothballing, then the cost of this construction must include the expenditures that result from it, and in particular that result from the guaranteeing that the projects remain intact, etc. As a result, the unmothballed construction projects will be completed within the remaining normative periods. As they are completed, one will see the freeing of the corresponding resources, which can be used either for new construction or for the renewing of that which was previously mothballed.

Under these conditions it is more desirable for the ministries and departments to renew the mothballed construction than to begin new construction. The reason is very simple: the remaining estimated cost of the mothballed enterprises and projects, as a rule, is less than the total estimated cost of the construction projects to be newly begun. Consequently, the renewing of the mothballed construction has a lesser effect upon the use of the limit that has been mentioned than new construction does. Moreover, the time periods until the activation of the project will be shorter, that is, the limit will be "occupied" not only for a lesser sum, but also for a more compressed period of time.

The mothballed construction will be promptly renewed and the newly begun construction will be used in exceptional instances. The establishment of a limit for the residual estimated cost of the unmothballed construction projects will be a necessary condition to assure that the mothballing will be optimal, will contribute to the maximum possible increase in the concentration of capital investments, and will prevent the undesirable results of the temporary suspension of construction. The periods for the activation of even the enterprises and projects that have been mothballed for the longest periods of time will not increase, on the average, as compared with the existing conditions; and most of the remaining ones (especially those that have not been mothballed) will be put into operation considerably more quickly. There will also be corresponding reductions in the time periods required for tying up resources in uncompleted construction; while, in the presence of the very same annual capital investments, the time remaining until the activation of the object will be reduced, there will also be a reduction in the size of the construction lag, and the duration of the tying up of resources in uncompleted construction.

If it is necessary to construction very important national-economic projects, USSR Gosplan will have to increase for the appropriate ministries or departments the limit for annual capital investments. Thus there will also be an increase in the limit for the balance of the estimated cost of unmothballed construction, inasmuch as it depends directly upon their extent. If that occurs at the expense of the reduction of the limit for annual capital investments for other ministries and departments, there will be a corresponding decrease in one sector of the mothballed construction and an increase in another. Putting it another way, the capabilities of shifting the resources remain in full measure.



Supervision over the observance of the limits of the remaining estimated cost of unmothballed construction should be made the responsibility of the financing banks. They have been called upon to maintain strict accounting of the "selected" (used) value of such limits in the cross-sectional breakdown of each ministry, department, and Council of Ministers of a union republic, and when they are insufficient (exhausted), to stop the financing of those construction projects at the expense of which the limit has proven to be exceeded. The technical aspect of this supervision would seem to be uncomplicated. The possible economic benefit, apparently, will surpass the annual volume of capital investments for the entire circle of production construction.

The limit of total estimated cost of unmothballed construction will be averaged. It will guarantee the observance of the normative periods for the operations and the corresponding concentration of capital investments only on the average for the entire group of construction projects and enterprises in the particular ministry or department. At such time it is possible to have instances of the dispersal of funds and the dragging out of construction, but at the price of the "superconcentration" of expenditures and the outstripping of the normative periods at other projects. If, for example, for two construction projects with a remaining normative period amounting to three years the limit of the remaining estimated cost of the unmothballed construction comes to 30 million rubles (with total annual expenditures of 10 million rubles), it is possible in a certain year, for one of those construction projects, that the expenditures will be not 5 million rubles, but only 3 million, that is, there will be a dispersal of the funds and a slowing down of the activation of the project as compared with the norm. But another construction project will obtain the possibility of expending during that year not 5 million rubles, but 7 million, and that will create the prerequisites for completing it more quickly than on the basis of the norm. As a result, both projects will be completed on the average in three years, that is, on the whole, the norm will prove to be achieved and the concentration of the capital investments will be at the proper level. Possible deviations from the norm within the proposed limit can be only of a mutually liquidating nature, and that completely corresponds to the interests of the national economy, because a similar situation will prevail for any other averaged norms on its level.

It must also be kept in mind that the average remaining normative period of construction is precisely an average figure from which the specific remaining normative periods of constructing individual enterprises and projects can vary in any direction.

At the present time, absolutely fundamental decisions concerning the administration of the national economy are made, as a rule, on the basis of preliminary widescale experiments. This practice is completely justified, although an economic experiment cannot be carried out with the same accuracy as, for example, an experiment in technology or in the natural sciences (in view of the exceptional variety of factors that exert an effect on almost any economic process).



The recommendation concerning mothballing goes against the customary methods of planning and administration of capital construction that have developed. Therefore it would seem to be desirable to carry out an economic experiment -- to introduce a system of establishing limits for the total remaining estimated cost of the unmothballed construction in one of the union republics, for example, in Estonian or Latvian SSR. Apparently it will be sufficient to allow one or two years to compare the volumes of activation of projects prior to and after the beginning of this experiment, and on that basis to make the final decision.

In conclusion I would like to say a few words about what is being undertaken to study the concentration of capital investments at USSR TsSU. This study can be carried out on two levels -- on the basis of composite data pertaining to the national economy, branches, ministries, departments, etc., or on the basis of primary materials pertaining to individual enterprises or projects that are under construction or have been constructed. Statistical analysis of the concentration on the level of the national economy has been carried out at USSR TsSU for a number of years. Use is made at such time of the data provided in the reports submitted on form No. 8-ks [8-Capital Construction], which makes it possible to compute the construction periods, the readiness of the construction, and other indicators. For some of them, USSR Gosplan has approved norms with which the actual figures are compared. The evaluation of the concentration is carried out by comparing the remaining net period of construction (that is, the period minus the average period of operation of the partially activated fixed assets) and the actual (expended) period. The result of this comparison (division) is called the coefficient of forthcoming concentration. In 1983, for production construction as a whole, it was equal to 0.26. For individual ministries, departments, and Councils of Ministers of union republics, it varies considerably. One also computes the total estimated cost of construction, the actual backlog cost (that is, the entire cost minus the fixed assets that have been activated), and the analogous cost on the basis of the norm.

Since 1983 USSR TsSU has been maintaining a register of the construction projects intended for production purposes. That register includes the basic indicators that characterize the condition of the operations, and this makes it possible to analyze the concentration of the funds (as of the end of each year) for the period that has elapsed since the beginning of construction.

For this purpose, use is made of a special table that has been constructed according to the following principle. As of the end of each year of construction, one establishes the readiness of the operations. Then, proportionately to that readiness, one determines how much time was required according to the norm to achieve it (unlike the overall volume of capital investments, the execution of construction-and-installation operations according to the norm is assumed to be even). If, for example, the normative period of construction is three years and the readiness of the operations is 20 percent, then, according to the norm, the achievement of the latter requires 0.6 years. But if, in actuality, there has been an expenditure, say, of two years, then one determines, first, the coefficient of concentration for the elapsed period (Footnote 2) (The sphere of its application is rather

narrow and makes sense only for purposes of forecasting (on the basis of the results that have occurred during the elapsed period) the overall concentration and active effect upon the forthcoming concentration.), which is equal in this instance to 0.3; secondly, the lag behind the normative period, which is equal in our example to 1.4 years; and thirdly, the amount of the corresponding expected losses to the national economy. All this is done annually for the duration of the entire period of construction.

On the basis of the table containing this data, which is supplemented after the expiration of every year (up to and including the final completion of the specific construction project), one can fill out the group tables that unite the information concerning the concentration for a particular total number of construction projects (for example, on the whole for a particular ministry, type of construction, region, etc.) The composite materials can become the basis for extended analysis which is aimed at preparing recommendations for increasing the concentration of resources by means of the temporary suspension of some construction projects for the purpose of accelerating the activation of others. The inclusion in the composite data of materials pertaining to previously mothballed projects will make it possible to renew their construction promptly. At the same time this analysis cannot, to any degree, replace the regulating effect of the total estimated cost of the remaining (unmothballed) construction.

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## RESOURCE UTILIZATION AND SUPPLY

### GOSPLAN OFFICIAL DETAILS MATERIALS RECYCLING PLANS

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[Article by N. Pirogov, deputy department chief, USSR Gosplan, under rubric "Reserves of the National Economy": "Planning the Use of Secondary Resources"]

[Text] In the system of measures that are aimed at increasing the effectiveness of social production, an increasingly important place is occupied by the economizing of raw and other materials by using the resources of secondary raw materials in the branches of the national economy.

In conformity with the 25 January 1980 decree of the USSR Council of Ministers, entitled "Measures for the Further Improvement of the Use of Secondary Raw Materials in the National Economy," a number of major measures are being carried out to assure the more complete involvement of secondary raw materials in economic turnover.

The state plans for the economic and social development of the USSR, as well as the plans for the USSR ministries and departments, the union and autonomous republics, krais, oblasts, cities, and rayons, and enterprises and construction sites were augmented, starting in 1981, by the section "Use of Secondary Raw Materials," with corresponding indicators.

Thus, the problem of including secondary resources in the production process is being resolved in a planned procedure on a nationwide scale.

During the period 1981-1985 one expects the use of more than 13 million tons of scrap paper, 5.2 million tons of secondary textile materials, 1.6 million tons of worn tires, approximately 16 million tons of pyrite cinders, 212 million tons of blast-furnace slag, more than 55 million tons of ashes and ash-slag waste products of thermal electric-power stations, more than 10 million tons of used petroleum products, more than 270 million cubic meters of wooden waste products, etc. The secondary raw materials involved in national-economic turnover during these years will make it possible to free considerable quantities of primary resources, including approximately 230 million cubic meters of industrial timber, more than 3 million tons of chemical and natural fibers, more than 800,000 tons of calcified soda, more than 300,000 tons of synthetic rubber, etc. As a whole during the years of the current five-year plan, the application of secondary resources is supposed

to replace primary raw materials with a total value of more than 45 billion rubles.

Despite the overall noticeable increase in the volumes of secondary raw materials being brought into national-economic turnover, in the current five-year plan as compared with the previous one the level of application of many types of secondary raw materials has been comparatively low. It must be particularly noted that the assignments established in the state plans with regard to the use of secondary raw materials have not been fulfilled for most of the most important report items. An analysis of the rate of plan fulfillment indicates that with a consideration of the lag that has been allowed to occur during the first four years of the five-year plan there is an expected underfulfillment of the assignments for the reprocessing of waste paper by 0.8 million tons; blast-furnace slag, 13 million; worn tires, 0.5 million; phosphogypsum, 6 million tons; wooden waste products, almost 20 million cubic meters; etc.

The nonfulfillment of the planned assignments for the 11th Five-Year Plan was caused chiefly by the fact that a number of ministries and departments, and primarily USSR Lesbumprom [Ministry of the Timber, Pulp and Paper, and Wood Processing Industry], USSR Minneftekhimprom [Ministry of the Petroleum Refining and Petrochemical Industry], USSR Minkhimprom [Ministry of the Chemical Industry], USSR Minstroyaterialov [Ministry of the Construction Materials Industry], Glavmikrobioprom [State Committee for the Biochemical Industry], etc., have been underestimating this important source of material resources, have been paying little attention to the creation and expansion of the production capacities for the processing of secondary raw materials, and have been allocating for those purposes insignificant volumes of capital investments. The nonfulfillment of the assignments established for the 11th Five-Year Plan for the activation of production capacities for the reprocessing of secondary raw materials is a serious factor that has been retarding the increase in the use of many types of secondary raw materials in the first years of the 12th Five-Year Plan.

In the decree of the CPSU Central Committee that was adopted in December 1984, "Serious Shortcomings in the Use of Secondary Material Resources in the National Economy," the USSR ministries and departments and the Councils of Ministers of the union republics were assigned tasks of improving the application of waste products resulting from production and consumption, and of accelerating the creation of capacities for the reprocessing of secondary raw materials. It was deemed necessary for USSR Gosplan to increase the effect exerted by the plan upon improving the use of secondary resources when developing the assignments for the 12th Five-Year Plan and for USSR Gosplan to consider, with a long-term view, the increase in the proportion of secondary raw materials in the overall consumption of materials.

During recent years there has been a noticeable expansion in the products list of secondary raw materials that was stipulated in the annual plans, as well as the list of ministries and departments for which the corresponding assignments have been established. For example, the state plan for 1985 which was approved by USSR Council of Ministers stipulated assignments for the procurement of six types and the use of 32 types of secondary raw materials



for 75 ministries and departments, as compared with 23 types for 25 ministries and departments in 1981. In addition, USSR Gosplan approves a number of assignments for the procurement, use, and delivery of secondary raw materials, the production of output from it, and the use of secondary thermal and fuel resources, and also approves the composite balance sheet for wooden waste products and the plan for distributing them.

In the drafts of the five-year plan for 1986-1990 and the plan for 1986 there has been stipulated a considerable expansion of the products list of secondary raw materials, the assignments for the procurement, use, and delivery of which will be approved by USSR Council of Ministers and USSR Gosplan. A definite amount of work has been done to improve the methodology of planning the use of secondary resources. An appropriate section has been introduced into the additional methodological recommendations for the development of the State Plan for the Economic and Social Development of the USSR in 1986-1990. In addition, a similar section has been included in the Methodological Principles for Drawing Up the Basic Directions in the Economic and Social Development of the USSR for the Long-Term Period, which were approved by USSR Gosplan in August 1983.

In 1982 USSR Gosplan and USSR Gosstab approved the Products List of Secondary Raw Materials, the assignments for the procurement and use of which must be stipulated in the plans. This products list includes approximately 200 types of secondary raw materials.

During the five-year plan there was an improvement in the forms and the instructions for filling them out, so that the ministries and departments could prepare their recommendations for the draft versions of the plans. A number of other methodological operations were also carried out.

However, everything has not yet been done in this direction. In the decree of the CPSU Central Committee, entitled "Serious Shortcomings in the Use of Secondary Material Resources in the National Economy," it was noted that the economic levers provide little self-interestedness to the enterprises and organizations in striving for the maximum involvement of secondary raw materials in turnover.

The resources of secondary raw materials are being used in the national economy by no means completely. In particular, the use of waste paper is only 70 percent; secondary textile materials, 50 percent; secondary polymer raw materials, 8-10 percent; worn tires, 30 percent; phosphogypsum, 10-12 percent; ash-cinder waste products of TES [thermal electric-power stations], 10 percent; etc. The annual rates of increase in the volumes of involvement of secondary raw materials in reprocessing remain low. A considerable amount of the most important types of waste products are irretrievably lost.

Therefore, USSR Gosplan and its subdivisions are currently faced by an especially acute task of developing a system of measures to assure the further increase in the volumes of use of secondary raw materials by the USSR ministries and departments and the Councils of Ministers of the union republics.

That task can and must be resolved by USSR Gosplan in a planned procedure. Inasmuch as the planning of the use of the waste products of production and consumption on a broad scale is a comparatively new job, a process of searching for and selecting the ways of improving it is under way.

The section in state plans entitled "Use of Secondary Raw Materials" must stipulate the most complete involvement of secondary raw materials in national-economic turnover with the purpose of economizing the basic types of primary raw and other materials; of improving the balancing of the planned assignments for the production of output and the material-technical resources; of increasing the economic effectiveness of social production; and of intensifying the protection of the environment. Various recommendations for improving the makeup of the indicators in this section of the state plans are being made. Everyone, however, is unanimous in feeling that it is the indicator of the production of output that determines the final goal. The other indicators in the section, including the procurement of secondary raw materials, capital investments, etc., are of a subordinate, dependent nature. Certain specialists propose that the state plans must stipulate the indicators for the production of output with the use of secondary raw materials, and that among the other report items, the products list of that output must include, for example, cement that has been manufactured with the use of ash and ash-cinder waste products, phosphogypsum, blast-furnace slag, as well as wood-fiber and wood-shaving slabs made from wooden waste products, ceramic slabs made from broken glass, etc.

It would seem that this point of view is without substantiation. It would be more correct to establish the amount of secondary raw materials by types to be channeled into the production of the appropriate output.

Beginning with the plan for 1986, for a number of ministries and departments in the total volume of the use of ash and ash-cinder waste products there will be an indication of how much of those raw materials must be channeled into the production of building materials and construction instead of cement. This measure, in our opinion, will be more effective and more specific than the establishment of an assignment for the production of cement with the application of ash and ash-cinder waste products.

As for the section "Use of Secondary Raw Materials" in the state plans, it is necessary to consider as the output being planned in this section the waste products of production and consumption which have been properly processed and prepared for use in the national economy. This finds its expression most graphically in the planning of the types of output to be produced from secondary raw materials only, the assignments for the production of which have already been established for several years by USSR Gosplan. The list of these types of output has been expanding with each passing year. This section of the plan for 1985 stipulates 14 types of this kind of output, including granulated secondary polyethylene, industrial purified salt from halite waste products, granulated phosphogypsum, etc.

The list of output made from secondary raw materials has been sent out to the ministries and departments, together with the forms for the draft version of the 12th Five-Year Plan. In conformity with that list they will prepare their

recommendations for the individual volumes of production of output from secondary raw materials in 1986-1990.

The question is asked as to whether it is necessary, as part of the indicators in the section the assignments for which are approved by USSR Council of Ministers to have the indicator "procurement of secondary raw materials" (Footnote 1) (PLANOVOYE KHOZYAYSTVO, No 7, 1984, p 102).

In particular, it is proposed to make the planning of the indicator of procurement of secondary raw materials the responsibility of USSR Gosplan, which should be given the right to make well substantiated refinements in the procurement plans depending upon the rate of fulfillment of the assignments for the use of secondary raw materials.

In our opinion, at the present time it would be premature to do this.

The directive nature of the indicators in the plan that was approved by the USSR government largely contributed to the increase in the rates of procurement of secondary raw materials during the current five-year plan.

The situation with waste paper is a typical one. Its procurement by organizations of USSR Gosplan during the five years from 1975 through 1980 increased by 120,000 tons, or by 7.3 percent. Approval of this indicator by USSR Council of Ministers as part of the section "Use of Secondary Raw Materials" played a determining role in accelerating the increase in the volumes of procurement during the next five years: from 1980 through 1985 (plan), the procurement of waste paper will increase by 363,000 tons, or by 20.5 percent.

In the current five-year plan a situation has developed in which the procurement has begun to outstrip the capabilities of a number of branches to reprocess the secondary raw materials. It is understandable that it is easier, both economically and organizationally, to build up the volumes of collection and procurement of secondary raw materials than it is to create and activate capacities to reprocess them.

In the 12th Five-Year Plan this situation must change as a result of the completion of the construction of several cardboard and paper combines within the USSR Gosplan system and the expansion of similar capacities in USSR Minlesbumprom.

An extremely vital question is the one concerning the effectiveness of providing incentives for the increase in the volumes of application of secondary raw materials. Certain economic managers and planning workers propose, for example, completely considering in the plans the guaranteeing of the needs that the enterprises of the ministries and departments have for primary raw materials and other materials and, in excess of those needs, to provide the opportunity to employ secondary raw materials with the purpose of economizing the primary ones; in their opinion, this would create more favorable conditions for fulfilling the production program and improving the economic indicators of the enterprises.



These recommendations, probably, are acceptable in those instances when the secondary raw materials being drawn into national-economic turnover do not correspond to the established specifications and cannot serve as a fully valid replacement for the primary raw materials.

At the same time, most of the recommendations can be summarized as the attempt to assure that all the volumes of waste products the assignments for the application of which have been established in the sector "Use of Secondary Raw Materials" in state plans are taken completely into consideration in the material balance sheets and plans for distribution as replacements of the natural (primary) raw materials. USSR Gosplan has been doing work in this direction for several decades already. Domestic and foreign experience (in particular, the experience of East Germany and other countries) indicates that there exists an objective need for the expansion of the products list of secondary raw materials that are to be taken into consideration in the balance sheets being developed and approved at various levels of planning.

The development of the material balance sheets with the inclusion of definite types of secondary raw materials is the final stage of the development of the plan for the use of waste products of production and consumption.

The inclusion of the secondary raw materials in the balance sheets and then in the distribution plans is preceded by work to compute the resources of those raw materials, to select the directions for their effective use, to determine the necessary capacities for procurement and reprocessing, and, finally, to establish the overall economic benefit from the application of the waste products; this provides substantiation for the making of the final decision concerning the volumes of inclusion of the secondary raw materials in national-economic turnover.

In order to fulfill that work one uses the very same planning instruments as are used during the development of other sections of the plan, namely: norms and quotas, methodologies for determining economic effectiveness, prices, etc.

In conformity with the decree of CPSU Central Committee and USSR Council of Ministers, entitled "Intensifying the Work of Assuring the Economizing and Efficient Use of Raw-Material, Fuel-and-Energy, and Other Material Resources," which was adopted in 1981, USSR Gosplan is granted the right to establish for the ministries and departments the procedure and quotas for collecting, selling, and reprocessing secondary resources.

USSR Gosplan and VIVR, USSR Gosplan have carried out a large volume of work to organize the development of those quotas. But, unfortunately, until the present time we do not have at our disposal any approved branch quotas; as a result, in the process of the formation of the plan, there arise objective difficulties in determining the volumes of collection and use of various types of secondary raw materials.

An institution that actually proved to be completely divorced from this important job is the Scientific-Research Institute of Planning and Quotas, attached to USSR Gosplan, which has been called upon to head and coordinate the work of developing the norms in the country. The Department for the



Methodology of Planning of the Use of Secondary Resources, of the Ukrainian branch of that institute, by virtue of its small personnel size, has been carrying out scientific-research projects in an extremely limited group of problems and is incapable of satisfying the needs of planning practice.

At the present time a question being considered is that of creating at NIIPiN [Scientific-Research Institute of Planning and Quotas] subdivisions dealing with the problems of planning of secondary resources and of reinforcing the existing section at the Ukrainian branch. NIIPiN and its Ukrainian branch are supposed to intensify in 1986-1990 the projects based on those problems, putting the emphasis on the improvement of the methodology of planning the use of waste products.

It is necessary, to a greater degree than pertains at the present time, to intensify the scientific potential of the organizations in the system of USSR Gosplan and the gosplans of the union republics. UkSSR and KaSSR Gosplans have already accumulated positive experience in involving in the resolution of problems of the application of secondary raw materials the republic-level councils for the study of productive forces. This practice should be expanded in every way.

SOPS [Council for the Study of Productive Forces], attached to USSR Gosplan, is supposed to provide in 1986 a forecast for the involvement of secondary resources, with the substantiation of the volumes of capital investment necessary to guarantee the effective use throughout the country in the period until the year 2005.

Taking into consideration the large national-economic importance and long-term nature of the topic to be developed, the leadership of SOPS, obviously, must resolve the question of creating, as part of it, a special scientific subdivision to deal with this problem.

GKNT [State Committee for Science and Technology], USSR Academy of Sciences, and the ministries and departments, in conformity with the decree of CPSU Central Committee, entitled "Serious Shortcomings in the Use of Secondary Material Resources in the National Economy," must considerably expand the subject matter of the fundamental and applied research involving the replacement of primary raw materials by secondary ones and the creation of technological schemes with small amounts of waste products, or no waste products at all.

In order to provide incentive for involving the secondary raw materials in economic turnover, it is necessary to develop economically substantiated prices for them. At the present time most of the purchase and wholesale prices that are in effect have been established without sufficient scientific substantiation, and there is no single methodological document that regulates the establishment of the prices for the waste products of production and consumption. The Methodological Instructions Concerning the Procedure for Establishing Wholesale Prices of Technological Industrial Waste Products, which have been in effect since 1975 and which were approved by USSR Goskomsen [State Committee on Prices], as their very name indicates, have a limited field of application and, in addition, are already obsolete.

NIItsen [Scientific-Research Institute for Prices] is developing recommendations to establish the prices of secondary raw materials. One would like to wish their compilers success in avoiding any theoretical inaccuracies which could lead to undesirable consequences. The opinion has already been expressed in the press, to the effect that, inasmuch as the obtaining of waste products is not the purpose of production, they do not contain any expenditures of socially necessary labor and do not have any value at the moment of formation. With this approach the value of the waste products is determined only by the expenditures to collect and procure them. It is also stated that something that is even more obvious is the lack of any value in the waste products of consumption at the moment of their formation (Footnote 2) ("Improving the Methodology of Price Determination for Secondary Raw Materials, PLANOVYE KHOZYAYSTVO, No 12, 1983, p 50).

This treatment led to the underestimation of the prices which are currently in effect for secondary raw materials and determined the attitude that is taken to them as being allegedly a worthless product.

This point of view seems to us to be unsubstantiated. It is well known that secondary raw materials can be employed instead of primary ones, and in certain instances serve as the sole source for satisfying the need for raw materials, that is, they do possess consumer value. However, this does not mean that raw materials have value. Actually there are things that are extremely beneficial to man but do not possess any value. They include air, sunlight, etc.

K. Marx pointed out that "...consumer value, or a blessing, has value only because it contains the substantiation, or materialization, abstractly of human labor" (Footnote 3) (K. Marks [Marx] and F. Engels, "Soch." [Works], Vol 23, p 47).

As for the waste products of production and consumption, these are not simply "gifts of nature," but are products that have been produced by human labor, that include embodied labor, and in this instance it is of no consequence that that labor was expended other than for the purpose of producing waste products.

It is typical that, with regard to the evaluation of secondary precious metals, there exists a uniform opinion from this point of view: both the waste products from their production and the waste products from their consumption have, at the moment of their formation, a value that is measurable by a price that is close to the price of the primary raw material. Therefore it is more correct to proceed from the assumption that the waste products of production and consumption, when they are formed, do possess value, and the basic task of the methodology for determining the price of the waste products is the establishment of the price with a determination of the existence of that value and the creation of a self-interestedness on the part of the suppliers and consumers of the waste products, as well as the achievement of an economic benefit from the involvement of a particular type of secondary raw material in reprocessing.

While giving the proper importance to an efficient methodology for determining the prices of secondary raw materials, one should note that the lack of that methodology in a number of instances should not hinder the appropriate agencies of economic management from making an objective analysis and determining the need for the re-examination of the prices of individual types of waste products of production and consumption.

For example, USSR Minneftekhimprom, while considering that there was an overestimation of the wholesale prices of worn tires, and that was hindering their more effective use, at the same time is demonstrating unjustified passivity and failing to make recommendations to USSR Goskomsen concerning the adjustment of those prices. The same position is occupied by USSR Ministroyaterialov with respect to the wholesale prices that are in effect for broken glass.

Obviously, USSR Goskomsen, USSR Gosplan, and USSR Gossnab must become involved promptly in the resolution of the questions that arise with regard to the improvement of the prices of secondary raw materials in conformity with the rights granted to them.

The innovation and complexity of the problem of planning the use of secondary resources under conditions of the economic experiment that is being conducted for expanding the rights of the production associations in planning and economic activity and for intensifying their responsibility for the final results of their work require a special consideration of this question. At the present time, in the established list of planning indicators, limits, and economic quotas for enterprises that have been converted and that are to be converted to the economic experiment, no stipulation has been made for indicators pertaining to the use of secondary resources. At the present time they are rated indicators.

The share of secondary raw materials in the volume of the raw materials to be consumed by an enterprise or ministry could be, in our opinion, that indicator that could be introduced into the list of indicators to be approved for the enterprises of ministries operating under conditions of the economic experiment. It would be an evaluation indicator that could carry the load of a fund-adjusting indicator. We have in mind that its unfulfillment must exert a direct influence upon reducing the deductions to be paid into the enterprises' funds. However, the sphere of application of this indicator is limited (it can be effectively employed in the planning of the assignments for the enterprises of such ministries, say, as USSR Minlesbumprom, USSR Minlegprom [Ministry of Light Industry], Minkhimprom [Ministry of the Chemical Industry], and certain others).

For enterprises of other ministries and departments that are to be converted to the work under conditions of the economic experiment, the assignments for the use of secondary raw materials which are being established for them at the present should, apparently, be transformed in such a way that they can be taken into consideration when establishing the limit of material-technical resources, and the basic indicator for evaluating the activity of the enterprises -- the volume of sale of output with a consideration of shipments -- must include, in addition to other report items, the shipments of secondary raw materials to the enterprises of other ministries and departments.



The specific working out of these recommendations with the participation of representatives of the ministries and departments will allow the making of conclusions and the making of a final decision concerning the methods of accounting, in the plans, the assignments for the application of secondary raw materials at the enterprises operating under the conditions of the economic experiment. It would be beneficial for the specialists at NIIPiN, attached to USSR Gosplan, also to express their opinion on this question.

A question that is of great practical interest is the question of determining the share of secondary raw materials in the raw-material balance sheets. The press has reported data to the effect that in East Germany this indicator in 1985 will reach 12 percent, and in 1990, 15 percent.

Familiarization with the experience of the East German state planning organization has shown that that indicator is computed as the relationship of the value of the primary raw material to be replaced by the secondary raw material to the value of the raw material to be consumed, which relationship is expressed in percentages. The computations are carried out on the basis of a limited products list of raw materials (for example, no raw materials of vegetable origin, or waste products from their processing and consumption, are taken into consideration), so that the secondary raw materials include a considerable part of returnable packing materials and, in addition, there are a number of other peculiarities in determining this relationship.

In 1984 UkSSR Gosplan carried out computations to determine that share in the republic and obtained a result of 11.7 percent (the relationship that was taken was the mass of the secondary raw materials to be used in relationship to the mass of the total raw materials to be employed).

The subject-matter plan for the operation of the Ukrainian Branch of NIIPiN includes the development of a methodology for determining the share of secondary raw materials, with the conclusion of that work in 1985. The creation of the methodology will make it possible in 1986 to carry out refined computations of that indicator on the level of the country's national economy and for individual branches of industry and enterprises; this will make it possible to make a decision concerning the application of this indicator in the practice of planning.

A preliminary understanding has been reached with the East German state planning organization concerning the development, in the next five-year plan, of coordinated recommendations pertaining to a single methodology for determining the specific expenditure of secondary resources in the overall volume of the resources to be used. Taking into consideration the self-interestedness of the other CEMA member-countries, the further stage in this work will probably be the creation of a coordinated methodology; this will provide the opportunity to have a single criterion for evaluating the achievements of those countries in the use of secondary raw materials.

The arsenal of means for increasing the effect that the plan exerts upon improving the use of secondary resources, naturally, is not limited only to



the improvement of the plan indicators, the introduction of new indicators, and the expansion of the list of ministries and departments for which planning assignments are established. Large opportunities in this regard also lie in increasing the degree of substantiation of the draft versions of the plans and in the organizing of regular, effective supervision over their fulfillment.

This work must be carried out by USSR Gosplan with the participation of USSR Gosstab. The success of the job, therefore, depends to a considerable degree upon the coordination of their activities.

Obviously, at this stage it is necessary to differentiate more precisely the functions of USSR Gosplan and USSR Gosstab with respect to the development of the draft versions of the plans for the use of secondary resources and to increase the responsibility for their fulfillment.

USSR Gosstab must considerably intensify the work of determining the resource base for secondary raw materials, promptly submitting -- by the beginning of the planning period -- to USSR Gosplan the duly approved computations for the resources of waste products of production and consumption, subdivided by their various types. It is also necessary to put into a more harmonious system the carrying out by USSR Gosstab of the supervision of the fulfillment by the USSR ministries and departments and the Councils of Ministers of the union republics of the planning assignments for the use of secondary resources with the preparation of analytical documents containing the appropriate constructive recommendations.

The problems that have been touched upon pertain to individual questions which, however, in our opinion are very important ones in improving the planning of secondary raw materials. Their resolution must exert a positive influence upon increasing the volumes of application of waste products of production and consumption, must contribute to the reduction in material expenditures and the more complete use of the major reserves in this area, and, consequently, must promote an increase in the effectiveness of social production.

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